



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

No. D07-351

DESIGN SAVERS PLAN, STEVEN D.)
SMITH, INC., STEVEN D. SMITH,)
DESIGN BENEFITS, INC.,)
DENTAL BY DESIGN, DESIGN)
TELESERVICES, INC., SDS)
FINANCIAL, JOHN BYARS,)
ADOVAHEALTH, IRA GOTTLIEB,)
FAMILY SECURITY COUNCIL,)
INC., NEW HEALTH CARE)
MANAGEMENT GROUP, INC.,)
C. MURPHY LEOPOLD, EDWARD)
DEMMING, ROBERT D. EDELHEIT,)
UNITED GROUP PROGRAMS, INC.,)
E2 HOLDING, INC., WAR COLLEGE)
SIMULATIONS, INC., UNITED)
PROGRAMS WORLDWIDE, INC.,)
UNITED NATIONAL WORKFORCE)
ASSOCIATION, INC., OPTI-MED,)
ARNOLD H. KATZ, JONATHAN)
EDELHEIT,)

ORDER TO
CEASE AND DESIST

Respondents.

Pursuant to RCW 48.02.080(3)(a), RCW 48.15.023, and RCW 48.17.063(6)(a)(i), the Insurance Commissioner of the State of Washington hereby **Orders** the entities and individuals named above, including their principals, officers, directors, trustees, agents, employees, and affiliates (collectively hereafter "Respondents") to immediately **Cease and Desist** from the following:

A. Engaging in or transacting the unauthorized business of insurance in the State of Washington in violation of the Washington State Insurance Code, Title 48 RCW, including the advertising and solicitation of insurance products, the collection or attempted collection of premium monies, and the issuance of insurance and insurance-related products in any manner whatsoever.

B. Participating or assisting, directly or indirectly, in the advertisement, solicitation, and/or issuance of unauthorized insurance products or business in the State of Washington, including

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advertising or soliciting State of Washington residents by email, facsimile, telephone, mail, internet advertising, or any other means to induce State of Washington residents to purchase any form of insurance product. Internet advertising includes statements from Respondents that insurance products presented by these entities are available in the State of Washington.

C. If unlicensed in the State of Washington, acting as or holding themselves out as agents, brokers, and/or insurance producers in the State of Washington for any purpose, including soliciting insurance business in the State of Washington and participating or assisting, directly or indirectly, in any act of an insurance agent or insurance company to solicit insurance products or business in the State of Washington.

D. If licensed in the State of Washington, acting as or holding themselves out as agents, brokers, administrators, or insurance producers for insurers and/or insurance products or business which are not authorized in the State of Washington, and from otherwise participating or assisting, directly or indirectly, in any act of a person acting as an insurance agent to solicit and/or issue unauthorized insurance products or business in the State of Washington.

THIS ORDER IS BASED ON THE FOLLOWING:

1. Violation of RCW 48.17.060.

A. Beginning in the year 2003 and continuing until April 2007, Respondents advertised, solicited, and issued to Washington residents policies for medical health insurance without having been granted Certificates of Authority or Registration, and/or Licenses to act as insurers or insurance agents in the State of Washington. Respondents did not and have not submitted to the Washington State Office of Insurance Commissioner ("OIC") any appropriate certificate, license, or other document issued by another agency of this State, any subdivision thereof, or the federal government, permitting or qualifying the Respondents to solicit and/or provide such insurance coverage in the State of Washington. Respondents have also not registered with the OIC as a risk retention group or risk purchasing agents, nor have they solicited this insurance through a licensed surplus lines broker in the State of Washington.

B. Respondents have advertised and solicited unauthorized insurance products in the State of Washington and have thereby engaged in or transacted the unauthorized business of insurance. From 2003 until April 2007, Respondents have sold unauthorized insurance plans or policies to approximately four-thousand (4,000) residents with the State of Washington.

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2. Violations of RCW 48.15.020 and RCW 48.15.023.

A. Respondents have participated or assisted, directly and/or indirectly, in the solicitation and/or issuance to Washington residents of policies for medical health insurance that were not issued by an entity with a Certificate of Authority or Registration in the State of Washington.

B. Respondents have participated or assisted, directly and/or indirectly, in the advertisement, solicitation, and issuance of unauthorized medical health insurance plans or policies in the State of Washington and have thereby engaged in or transacted the unauthorized business of insurance. Respondents have acted as agents and/or third-party administrators, collected premiums, paid claims, and sent fulfillment packages to consumers in the State of Washington with respect to the unauthorized medical health insurance products.

3. Violations of RCW 48.18.100 and RCW 48.19.040.

Respondents have issued, delivered, and/or used insurance forms in the State of Washington without filing and obtaining prior approval for use of such forms from the OIC. Likewise, Respondents have used classification manuals, manuals of rules and rates, rating plans, rating schedules, minimum rates, class rates, and/or rating rules without obtaining prior approval for use of such rates from the OIC.

4. Violations of RCW 48.30.040 and RCW 48.30.050.

Respondents represented to prospective purchasers that the insurance product they were selling complied with the laws of the State of Washington. These representations were false, deceptive, and misleading because, among other reasons, these products had not been filed with and approved by the OIC and Respondents were not authorized to solicit an insurance transaction or to deliver or issue an insurance contract under Title 48 RCW.

THE INSURANCE COMMISSIONER FURTHER ORDERS AS FOLLOWS:

1. Respondents shall, within thirty (30) days from receipt of this Order, provide the OIC with a complete listing, to include full contact information, of all Washington residents who have received any insurance policy, plan or insurance-related solicitation from Respondents for the last ten (10) years. Respondents shall also include the total amount of premiums collected from sales within the State of Washington for the last ten (10) years;

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2. Respondents shall, within thirty (30) days from receipt of this Order, include in all marketing materials to be used when soliciting insurance products (such as scripts, outlines, facsimiles, internet materials, mailings, etc.) a disclaimer that the product is not available in the State of Washington. Respondents shall also provide the OIC, within forty (40) days of receipt of this Order, with copies of all such marketing materials to demonstrate that they have been so revised;

3. Respondents shall, within thirty (30) days from receipt of this Order, provide the OIC with the complete names and contact information for all insurers whom Respondents claim to have represented in the Washington solicitations which are the subject of this Order for the last ten (10) years, as well as copies of any contracts made with those insurers during the last ten (10) years;

4. Pursuant to RCW 48.15.020(2)(b), each unauthorized insurer and each individual who made a contract of insurance in the State of Washington, directly or indirectly, shall remain individually liable for the performance of the contract and for the full amount of any loss sustained by an insured under such contract;

5. Pursuant to RCW 48.14.020 and RCW 48.14.095, each unauthorized insurer that made a contract of insurance in this State, directly or indirectly, shall be and shall remain liable for payment of Washington State premium taxes and for any penalties and interest due pursuant to RCW 48.14.060;

6. Any violation of the terms of this Order by Respondents, their officers, directors, employees, agents, or affiliates, will render the violator(s) subject to the full penalties authorized by RCW 48.02.080, RCW 48.17.530, RCW 48.15.020, or other applicable Insurance Code sections; and

7. Respondents have a right to demand a hearing pursuant to Chapter 48.04 RCW and Chapter 34.05 RCW. This Order shall remain in effect subject to further Order of the Insurance Commissioner of the State of Washington.

THIS ORDER IS EFFECTIVE IMMEDIATELY AND IS ENTERED at Tumwater, Washington this 18th day of December, 2007.

MIKE KREIDLER

~~Insurance Commissioner~~

By: 

Thomas P. Rowland

Staff Attorney

Legal Affairs Division